



State of South Carolina Office of the Governor

MARK SANFORD
GOVERNOR

POST OFFICE BOX 12267
COLUMBIA 29211

June 7, 2010

The Honorable Robert W. Harrell, Jr.
Speaker of the House of Representatives
Post Office Box 11867
Columbia, South Carolina 29211

Dear Mr. Speaker and Members of the House:

I am hereby vetoing and returning without my approval H. 3790, R. 272, which changes the state's mortgage lending licensure statute in a way that favors one particular mortgage lending company and amends the consumer protection code in response to activities by some payday lenders.

About this time last year, we allowed a bill to become law that created a licensure system for our state's mortgage lending industry. Although we have typically opposed the practice of creating new licensing programs, we allowed the bill to become law because of the threat of expanded federal regulation over our state's mortgage lending industry. Although this type of regulation is intended to protect the public, these kinds of laws ultimately decrease the number and type of available financing options and make it harder for new lenders to enter the market. In other words, consumers have fewer choices and the available options become more expensive.

We object to H. 3790 for two reasons. First, this bill changes the current mortgage lending system in a way that favors a single mortgage lender. The current mortgage lender licensure scheme requires mortgage loan originators to obtain a license from the South Carolina Department of Consumer Affairs after paying a \$750 fee, and requires each of the mortgage company's employees to obtain licenses for \$50. However, if a mortgage company hires independent contractors instead of employees, each contractor must be individually licensed and must pay the normal licensing fee of \$750.

H. 3790 changes the current regulatory scheme by allowing independent contractors to obtain licenses by paying a \$50 fee, but the rules determining which contractors qualify for the reduced fee are drafted in such a way that only one of the nearly two hundred mortgage companies in

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South Carolina benefits from the change. If the General Assembly believes the mortgage loan industry would benefit from a decrease in filing fees, as we suspect they might, then the General Assembly should enact a law that applies equally to all independent contractors – not only to those working for one particular company.

Second, we object to H. 3790 because the provisions preventing payday-style lenders from being licensed as “supervised lenders” – and preventing supervised lenders from offering payday-style loans – will limit the financing options available to consumers. When we vetoed the payday lending legislation last year, we carefully explained why we thought restrictions on a particular financial industry would harm consumers. In short, some people will benefit from payday-style loans and some will not, and we continue to believe that individual consumers are better equipped than a government bureaucracy to know whether a short-term loan is a wise decision in any given circumstance.

For these reasons, I am vetoing and returning without my approval H. 3790, R. 272.

Sincerely,

A handwritten signature in black ink, appearing to be 'M. Sanford', with a long horizontal stroke extending to the right.

Mark Sanford